

Educational Funding Solutions

Financial News & Views – January 2012



Happy New Year!!

For some, 2011 was a very challenging year. As the elections are in the not too distant future, we are expecting even more economic uncertainty. A conservative approach to college and retirement is now more important than ever before.

In the last year, my goal was assure the clients of Educational Funding Solutions that college was an affordable reality and that retirement didn't have to be something that was only a pipe dream. We have been able to show ways to take a tax-deferred retirement and turn it into, not only a way to pay for college, but a way to create a tax-free retirement while at the same time, create a self-completing retirement plan. All of this was accomplished with absolutely no risk! Some of you have experienced this methodology and were very pleasantly surprised at the outcome.

I will continue to pursue creative and safe ways to accomplish these goals and some other interesting techniques that I am currently working on. If you are feeling that your finances need a new year's evaluation and are looking for creative ways to guide your financial future, let's set up a time to sit down and carefully analyze the direction you are heading and make some positive recommendations and possibly some changes.

I hope you had a great holiday, and here's to a healthy and financially successful New Year to you and your family!

2012



DATES / ITEMS TO WATCH – PLEASE POST

**** SAT/ACT Info**

Juniors should take SAT I and 3 SAT IIs early and often. EFS also recommends taking the ACT.

| SAT www.collegeboard.com | | ACT www.act.org | |
|--|------------------------|--|----------|
| Test Date | Register | Test Date | Register |
| 1/28/12 | Late Registration Only | 2/11/12 | 1/13/12 |
| 3/10/12 | 2/10/12 | 4/14/12 | 3/9/12 |
| 5/5/12 | 4/6/12 | 6/9/12 | 5/4/12 |
| 6/2/12 | 5/8/12 | | |

****Cal Grant Deadline - March 2, 2012**

Check with your school to see if they will be filing the Cal Grant for you.

If not, visit www.calgrant.org for information and downloadable forms. The Cal Grant is based on information from the FAFSA and GPA verification by your student’s school. Educational Funding Solutions can NOT file the cal Grant for you!! Typically, all students applying to any CA school have to apply for the Cal Grant, regardless of eligibility, to be eligible for any financial aid. This applies to all transfer students also. When registering use only STUDENT information!!

****FAFSA deadline for most schools – March 2, 2012**

This is for your initial FAFSA filing, which is your date of record, not the corrected version with tax return information. We do however, advise getting your tax returns completed AND filed as soon as possible, as some colleges will want a complete copy.

****Juniors - Focus on Your Grades:** Colleges will be looking at your cumulative GPA through your JUNIOR year. Senior grades won’t be on your college applications !!Begin researching schools and start making a list of potential schools to visit during Spring break and in the summer.

****Seniors - You need to maintain your grades!!** If you do not, colleges can and will rescind your admission! Plan now to visit or revisit schools you are considering during your Spring break. You may not find them as good a fit as you thought a year ago!

Schedule interviews at the schools you are most interested in attending. Some schools place more importance on “demonstrated interest” than on SAT or ACT scores.

Please send us all scholarship offers and all financial aid packages.

Getting the New Year off to a RIGHT start . . .

Congratulations to all EFS families that have already turned in their **2011 Parent and Student Statement of Income & Assets**. These students will be first in line for filing and for college funding. **If you have not turned in your updated info, fax it to 818-597-1542 RIGHT NOW!!**

ATTENTION!!! Seniors & Transfer Students

\$\$\$ Updates & Colleges Needed ASAP!

Between January 2 and March 2 ALL new and returning college students **MUST** (!!!!!) file a Free Application for Federal Student Aid (FAFSA) to get any type of aid, including scholarships and low-interest loans. Some private schools also require the CSS Financial Aid Profile (FAP). EFS will file the FAFSA, and for an additional fee will file the FAP. Remember, all forms **must** be filed online or postmarked by the college deadline, but sooner is better for free money. So please get your data to us in time to meet key deadlines. Late data means late fees and potentially missed financial aid – especially free money.

IMPORTANT !!!

**All information must be submitted to EFS
by Wednesday, February 1st, or a \$150 late fee will apply.**

Be sure EFS has your current e-mail address for quick communications during this crucial application period.

We appreciate that some of you are struggling to get your income information together. Remember, all we need are “best estimates” (best guesses) at this time. We can modify figures when you complete your 2011 Federal Taxes. **You also have the option to send us your Data Form** with an initialed note asking us to use your 2010 data/tax information.

**We need at least 5 business days before your earliest deadline to process your data.
A \$150 RUSH fee will be added if you do not give us 5 business days, and a \$300 fee if it is less than 24 hour notice. Also, your place in line is determined by when we see your data!**

In addition to your financial data, we also need your final college list NOW. Please list your schools in PRIORITY order!! Only a limited number of schools can be filed at a time on the FAFSA. Once the original application is processed, more schools can be added (if necessary). The turn-around time can be as long as two weeks. So choose your top schools carefully!

Once your FAFSA is filed and processed, we will e-mail you a copy of your Student Aid Report (SAR) to check for accuracy and/or changes. The report will include your Expected Family Contribution (EFC).

What's Next . . .

We need your 2011 Federal Tax Return and W2s !!! Please forward EFS a copy of your 2011 parent and student federal tax returns (pages 1 and 2 of 1040, and schedules A, B, C & E) and your W-2s via fax or mail so corrections can be made to your FAFSA. Please DO NOT send us any California Tax Return information, only Federal.

Watch deadlines. Some CSS Profile schools require taxes BY MARCH 1st!!

If tax information is required by the college, it is **your** responsibility to send a **COMPLETE** and **SIGNED** copy of your **ENTIRE Federal Tax Return to individual colleges and to EFS.** But **DON'T** send your taxes to any college unless they are required or requested!!

Attention Parents of HS Sophomores & Juniors and College Transfer Students

Financial Planning In Your Base Year

The year your student goes from being a HS Junior to HS Senior is your “base year” for college funding. 2012 is the Base year for 2013 HS grads and community college students transferring in 2013.

In a perfect world, you start financial planning in the year before your base year. What you do financially during the base calendar year **TOTALLY** determines your financial aid eligibility. *For families with Sophomores – that’s anytime in 2011. For families with Juniors, IT’S RIGHT NOW!!!!*

What do we mean by financial planning?

You need to consider your income (both personal & business), how you hold assets, your retirement contributions, trusts, rental property, estate planning and grandparent assistance. **EVERYTHING** and **ANYTHING** that may impact your ability to pay for college. It is **CRITICAL** that you coordinate all financial aspects because in the base year what may save you taxes or retirement could cost you 3 times the amount in college money!

EFS first calculates your college costs as they appear today. We then work through various financial options to maximize free money and low interest loans and/or make sure you can pay for college with the least amount of impact on your financial life. Our goal is to give you strategies and solutions so you can pick the best one(s) for your family and student.

Many families are surprised at what a little planning does for their financial well-being. Remember, you retained us to help.

PLEASE (!!!!) call EFS with all your financial questions BEFORE making major financial decisions so we can ensure you meet your college dreams and financial goals.

Less Stress in the New Year IF You Have a Plan

Welcome to 2012! For some of you it will be the most exciting year of your lives and for others, one of the most stressful as you and your student wait on colleges to (1) accept your student and (2) determine how much that college will cost you. For others, you will be facing upcoming winter quarter or spring semester college bills for returning students.

I hope it will be more exciting than stressful but just in case, here are 5 things I have learned since I started doing college planning:

1. You have no control over where your students will be accepted. Colleges pick students for their OWN reasons. What the college needs has NOTHING to do with your dreams for a particular college. So don't stress over something you can't control.
2. Your students were unique and special BEFORE applying and they stay so regardless of which college(s) do or do not admit them. They (and you as parents) are not a "failure" if your student isn't admitted to any particular college.
3. The cost of college is totally controlled by the financial aid staff at each college and it CHANGES EVERY YEAR. This means great students, smart students, needy students, and returning students may get no money, and so-so students could get lots of money – it's all based on the college's goals. So again, don't stress over something you cannot control.
4. Families who are proactive and implement financial plans are generally happier with the entire college experience. How you approach spending your money and especially how you approach college-related debt will determine your short-term and long-term satisfaction with the college "experience".
5. Finally, parents who talk with each other and are open and honest with their students about finances. are happier with the college experience.

I know that Items 4 and 5 may seem a tall stretch –satisfaction with college is based on joint financial planning, but this is based on our experiences with hundreds of client families! We've learned:

- Parents who let students attend colleges they can't afford create students who take on twice the debt of their peers! The average student now graduates nearly \$25,000 in debt from college loans and an additional \$5,000 - \$10,000 in credit card debt!! So students without planning often see debts of \$50,000 or more for just their undergraduate degrees. That means payments of nearly \$700 per month! Imagine the stress that payment can create for a newly "hatched" bachelor-degreed student!
- Parents without a financial plan spend an average of \$100,000 per student which makes a huge dent in retirement assets – up to \$500,000 per student!
- Parents without a financial plan react to each billing "crisis" by rearranging current cash flow. This then impacts all the ways that families spend their dollars. This can generate resentment from the sacrificing family and the student now feels guilty for the financial problems.

Families that do not have a plan feel "victimized" by the college experience. They feel out of control and all the emotions impact the college student and any at-home siblings.

We have found that families (both parents and students) with financial plans balance their competing goals for college and cash flow. When parents and students CHOOSE how to spend their money, they are happier overall.

We want you to enjoy every aspect of the college experience. So PLEASE get an EFS College Funding Plan that is realistic and do-able for you and your student(s). **Call NOW for a financial planning appointment to review ALL your options!**

The “Dirty Little Secret” of Enrollment Management

What Colleges Don't Want You To Know!

Have you ever heard of “Enrollment Managers” or “Enrollment Management Firms”? If not, then here's a lesson in college economics that most parents will never hear about.

College enrollment management became more prominent in the 1990's when private colleges discovered that they were losing high quality students to public universities due to “sticker shock”. Many private colleges experienced lower admissions numbers and feared that they would go out of business if they did not find a better way to pinpoint the high schools and markets where their best prospects would most likely be found. As a result, they turned to enrollment managers.

Here's how enrollment management works:

- 1.** A college hires an enrollment management firm to analyze the college's admissions policies, student enrollment patterns, demographics, and diversity.
- 2.** The management firm analyzes the college's revenues and costs to determine the college's break-even point and the number of students the college needs to recruit and retain in order to cover their expenses.
- 3.** The firm then adds the college's projected new spending to calculate minimum revenue needed to achieve the college's money goals for the year.
- 4.** The firm then calculates the average EFC (Expected Family Contribution) per recruited student that is needed in order to meet the college's total money goals. This is called the “Target EFC”.
- 5.** The firm then develops a marketing campaign to target students that live in zip codes that will most likely yield the Target EFC needed to meet the college's financial goals.
- 6.** The firm then offers the most desirable students grants and scholarships equal to the difference between the college's total cost of tuition and fees and the target recruit EFC.
- 7.** Once the college has recruited enough students to meet the break-even point, the enrollment management firm gradually begins to reduce the grant and scholarship offers up to the point where the college is at full admissions.

These enrollment firms are increasingly able to identify the students likely to enroll without any financial aid. Some enrollment managers can actually predict how big (or small) a scholarship it will take to attract the kinds of students the college is short on like females at engineering schools or rural kids at big city colleges.

What all this means is your EFC and financial situation don't necessarily dictate how much financial aid you'll get!

More and more colleges are adopting these secret and sophisticated financial equations. So many more of our families will end up paying more than they should because of them!!

College is BIG BUSINESS and the quicker students and parents realize that they need to treat college just like any other purchase, the sooner they can put together a game plan to get the best college deal for their money.

Give us a call. We're here to help you build that plan. Our goal is to make sure your student(s) can attend the college of their dreams without making your retirement dreams disappear.

For Freshmen and Parents – a New Reality: Home For the Holidays isn't what it Was!

The first semester of college is a life-changing, independence-building, schedule shifting, self-finding experience. That also means the first long trip home-whether it be for fall, Thanksgiving or the Christmas winter break. It can also be a culture shock for students and their parents!

Students have a hard time now trying to figure out where home really is. In talking to parents about their college experience, they might refer to their dorm as “home” in these discussions. The parent might exclaim, “You are home”! The challenge is that no matter where home is, THE RULES ARE DIFFERENT! At the dorm, they may eat pizza every other night but the parents won't tolerate this at home.

The biggest challenge usually involves the word “Curfew”. The student has become accustomed to coming and going as they please. The parent would rather not lie awake worrying until 3 A.M.!

Sometimes the shock for the returning student is to find out that their bedroom has now been given to the younger siblings and they now are in a tiny room – maybe even tinier than their dorm room!

Unfortunately, some students come home to family situations that have changed since they have been away. Parental separation, divorce, and financial concerns are just a few very unsettling circumstances that a student might have to deal with upon coming home. They may also come home and hang out with friends and learn that these friendships have changed. They might also come home to break up with a high school sweetheart or it might be that someone is breaking up with them.

There are a growing number of colleges that are helping with this situation by having seminars entitled “Going Home: It will be different.”

The good news is that for some students going home is a chance to catch up on sleep, see old friends and eat meals that aren't served cafeteria –style.

Being a parent in this situation calls for patience, understanding, flexibility and respect. Your student may be this independent dynamo, but it is still your son or daughter and as independent as they think they are, they need you as much now as ever.

GOOD LUCK!!

Q: *You said that paying for college doesn't have to negatively impact our cash flow. How is that possible?*

A: You can actually improve your cash flow while paying for college. Determining your cash flow options is a three step process. 1) You need to note your current income and expenses. Begin by completing our cash flow worksheet. Estimate, if you don't have exact numbers. 2) EFS will project college expenses for all of the children in your family. 3) Based on this information, we will show you college funding options that can potentially stabilize or even increase your cash flow while paying for college. Call EFS for an appointment.

Cash Flow Worksheet

Housing

| | |
|---|--|
| Rent or mortgage | |
| Renters or Homeowners Insurance | |
| Property taxes | |
| Utilities (including cable or satellite TV) | |
| Telephone (including cell) | |
| Maintenance and repairs | |
| Furniture, appliances | |
| Decorations, housewares | |
| Cleaning supplies | |
| Other | |
| Total | |

Food

| | |
|-------------------|--|
| Groceries | |
| Restaurants | |
| Take out/delivery | |
| Other | |
| Total | |

Children

| | |
|----------------------|--|
| Child care | |
| Tuition or fees | |
| Children's allowance | |
| Other | |
| Total | |

Health Care

| | |
|--|--|
| Insurance | |
| Co-payments | |
| Medication (prescription and non-prescription) | |
| Dental | |
| Eyeglasses, contacts | |
| Other | |
| Total | |

Personal

| | |
|--------------------------------------|--|
| Clothes | |
| Grooming (haircuts, manicures, etc.) | |
| Other | |
| Total | |

Transportation

| | |
|-------------------------|--|
| Car Payment(s) | |
| Maintenance and repairs | |
| Gas | |
| Insurance | |
| Parking | |
| Public transportation | |
| Other | |
| Total | |

Loans

| | |
|----------------------|--|
| Credit card payments | |
| Student loan(s) | |
| Other (except car) | |
| Total | |

Entertainment

| | |
|--|--|
| Vacations | |
| Concerts or clubs | |
| Movies | |
| Sports equipment (in-line skates, bikes, etc.) | |
| Hobbies, magazines | |
| Video, DVD or game rentals | |
| Other | |
| Total | |

Total Monthly Expenses

| | |
|------------------------|--|
| Total | |
| x 6 | |
| Emergency Fund Total * | |

Once you determine your current income and expenses, let's talk about paying for college in a way that enhances your cash flow.

Each family's financial situation is unique, so this amount may vary depending on your lifestyle. There may be areas where your cash flow can be improved. Less taxes paid = more cash flow.



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Wishing you the best in 2012!